



**For Immediate Release
December 16, 2013**

**Contact: Bob Jimenez
 1-323-980-1221**

State Board of Equalization Due to Release More Than a Quarter-Billion Dollars in Security Deposits to California Taxpayers

Sacramento -- Tomorrow Chairman Jerome E. Horton and fellow Board Members will consider scaling back the automatic security deposit program currently enforced by the Board of Equalization (BOE). At present, the BOE is holding taxpayers' security deposits valued at more than \$296 million.

There is \$67 million in cash and liquid security deposits. The rest is in bonds and personal guaranties.

Should the board act, \$67 million in liquid assets will be returned to businesses, and the remaining balance in bonds and guaranties cancelled after all liabilities are fully paid and there are no delinquent or outstanding returns.

"Board policy should be that taxpayers be considered innocent until proven guilty. Not the other way around," said Chairman Horton. "However, where there is sufficient reason to suspect the possibility of tax abuse, it is the obligation of the Board to make it a priority to protect taxpayers by requiring a deposit."

In some cases this deposit is substantial and threatens to cripple the taxpayer's business before it can even begin to make sales. That is why Rob Lapsley, President of the California Business Round Table, agrees with the chairman.

"The current BOE policy is a major unexpected three year cost to comply with state business regulations and it directly impacts the critically important first year of establishing a business. We strongly support Chairman Horton's efforts to implement reforms that create fairness for business owners throughout California."

Current BOE policy requires a security deposit to be automatically collected when taxpayers obtain a seller's permit. The BOE has established a minimum security policy of \$2,000 up to a maximum of \$50,000. The amount of security for prepayment accounts is one quarter's

estimated tax liability. If the amount of security required is computed to be less than \$2,000, security will be waived.

Chairman Horton believes this policy must be updated by eliminating the automatic security requirement upon registration so that business owners can instead concentrate on growing their businesses. Chairman Horton notes that the security deposit program resulted in more than \$4,082,634 paid on outstanding liabilities over the past several years. However, this also means that less than one percent of the total security deposits held were actually applied to past due taxes. Chairman Horton agrees with BOE staff that, if released, these funds would provide California taxpayers with additional capital for their business operations and the economy.

Chairman Horton makes it clear that he will vote for a change in the security deposit program, but only if BOE staff is able to exercise its professional discretion in requesting security from taxpayers with a history of late payments or delinquencies with the BOE.

* * * *

Elected in 2010, Chairman Jerome E. Horton is the Fourth District Member of the California State Board of Equalization, representing more than 8.5 million residents in Los Angeles County. He is also the Board of Equalization's Legislative Committee Chairman. He is the first to serve on the Board of Equalization with over 21 years of experience at the BOE. Horton previously served as an Assembly Member of the California State Assembly from 2000-2006.

The five-member California State Board of Equalization is a publicly elected tax board. The Board of Equalization collects more than \$53.7 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes. For more information on other taxes and fees in California, visit www.taxes.ca.gov.

#